

NHID E-NEWS

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COMMENTS FROM THE COMMISSIONER'S OFFICE

THE P & C MARKET IS SOFTENING—THE CYCLE LIVES !

Year-end 2004 financial results are now available and it is clear that 2004 proved to be a profitable year for insurers – on a national basis as well as specific to business written in New Hampshire. Nationally 2004 is the first year since 1978 that P&C insurers realized an industry-wide underwriting profit as the combined ratio slipped below 100%. New Hampshire results were significantly better – the all-lines loss ratio was just under 54%, versus loss ratios of 61% and 64% for 2003 and 2002, respectively. After three years (2001, 2002 and 2003) of significant annual price increases, various reports and surveys



show that in 2004 pricing moderated for most lines in response to these positive results and competition among insurers. The Insurance Information Institute reports on national trends. They indicated that on the commercial side, during the 4th quarter, 2004, a majority of accounts saw negative price changes compared to expiring premium. They also report that expenditures for personal auto policies have leveled and that homeowners expenditures are moderating. So it is clear that a soft cycle is here.

But, **will the cycle be any different this time around?** There are mixed opinions.

At a recent actuarial seminar on ratemaking, Robert Hartwig, Senior Vice President and Chief Economist for the Insurance Information Institute offered elements of the opposing perspectives. The following is extracted from his presentation:

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COMMISSIONER'S COMMENTS CONT.

YES, it will be different this time around:

- most companies have new CEO's who are not eager to repeat past mistakes
- companies have invested in MIS systems – detailed data and information is more readily and accurately available;
- compensation structure is not based on volume, but on underwriting and pricing;
- Sarbanes-Oxley: CEO & CFO's personal assets are on the line, reserves are more adequate, actuaries and underwriters are on board and getting tough;
- rating agencies have a tight leash on upgrades and are paying attention to capital/reserve adequacy and disciplined underwriting;
- investment analysts are subjecting insurers to greater scrutiny; and
- tort reform is happening.

NO, it won't be different this time around:

- management never learns: quarterly earnings and growth targets are still the king;
- P&C will always be an impossible business - it is impossible to use *past* information to determine prices *today* for a product sold *tomorrow* for claims that may arise in the future and expect to be right;
- investors are fatigued and not committed to long run availability of capital to an under-performing market;
- investments are still used to paper over poor results and cash flow underwriting will soon be back in vogue;
- P&C Industry doesn't do well at managing variability and volatility – e.g. 2004 hurricane season, D&O, Products; and
- tort reform isn't all it's cracked up to be – watered down legislation and loopholes.

In future articles, we'll report on observed performance and pricing trends. That should help show which perspective is proving to be correct.



ANNOUNCING ANONYMOUS ON-LINE FRAUD REPORTING

The NAIC has launched a new on-line insurance fraud reporting system, available to consumers who wish to report suspected fraud.

Due to recent allegations of inappropriate insurance broker activity, state insurance departments have increased their collection of information on suspected fraudulent activities from consumers, producers and employees of insurers. This initiative introduced by the NAIC Executive Task Force on Broker Activity will help to enhance the collection of that information.

This new system allows consumers to supply detailed information on suspected fraudulent activity anonymously. The reporting of alleged fraud requires no personal identification from the consumer making the submission. The process is very user friendly and the submitter has a choice of whether or not to provide contact information.

The new on-line system provides consumers with an additional choice for reporting fraudulent activity.

The system provides a template screen that prompts the consumer for key pieces of information. The fields include the state where the fraud occurred, the name of the individual or entity that you suspect committed fraud and, in addition, there is an area provided on the form for supplying the details of the suspected fraud. Once collected, this information is sent to the appropriate state regulator for further action if warranted.

The system is accessible from two links on the NAIC home page: under the "New and Noteworthy" section or through the Consumer Information Source at http://external-apps.naic.org/fraud/ofrs_entry.jsp

There are also several traditional ways that consumers can report suspected fraud occurring in New Hampshire. Established for over a decade now, anyone can report suspected fraud by contacting the New Hampshire Insurance Department by the following:

Call the Insurance Department: (603) 271-2261 (anonymously if desired)

Call Consumer Toll Free: 1-800-852-3416

Facsimile: (603) 271-1406

Website: www.nh.gov/insurance

Mail: New Hampshire Insurance Department, 21 So. Fruit St., Suite 14, Concord, NH 03301

The new on-line system provides consumers with an additional choice for reporting fraudulent activity. This can be a very useful tool, especially when the activity crosses state lines and the consumer may be confused about which state regulator they should contact with the information.

UNUM PROVIDENT DISABILITY INSURANCE SETTLEMENT AGREEMENT

The New Hampshire Insurance Department joined other state insurance departments in entering into a settlement agreement with Unum Provident insurance companies. The agreement requires the Unum Provident companies to reevaluate certain individual and group long-term disability insurance claim determinations that are or were disputed by the insured.

Under the settlement agreement, insureds who filed disability claims that were denied or whose benefits were terminated on or after January 1, 2000 will receive a notice that they are entitled to have their claims reviewed if they wish. Participation is optional, and insureds are not required to accept the company's offer to reassess their claim or to accept any offer the company may make.

Reevaluation requests must be received by the deadline set forth in the notice.

Insureds who do not accept a reevaluated claim offer retain their right to pursue private legal action. Claimants ineligible for the reevaluation include those who have died, have withdrawn the claim, did not satisfy any applicable elimination period, received maximum benefits under the policy terms or certain claimants who had their claim settled through litigation or settlement or whose claim is in litigation.

Companies included in the settlement are Unum Life Insurance Company of America, Paul Revere Life Insurance Company, Provident Life and Accident In-

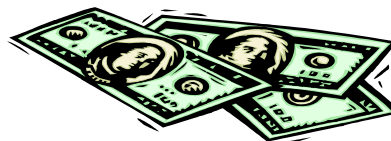
surance Company and Provident Life and Casualty Insurance Company.

Consumers whose claims were denied for the period 1997 through 1999 will not receive notices from the company under the terms of the agreement. However, they may also obtain reevaluations by contacting the company. A toll free number for consumers has been established. Insureds may contact the company for more information about the settlement and reevaluation process at 1-800-278-4641. In addition, consumers may obtain additional information on the agreement from the following internet site www.unumprovidentclassaction.net



CONSUMER SERVICES DIVISION ASSISTS BANK CUSTOMERS

The Department has taken a leadership role in working with the NH banking community to effectuate consumer assistance measures designed to ensure certain customers of the banks receive premium refunds for credit life and disability insurance premiums. The consumers affected financed a pre-paid credit life and/or credit disability insurance premium as part of the loan transaction when the consumers purchased automobiles. Under these circumstances, if a loan is paid prior to the maturity date, a premium refund is due. Many of these consumers have realized premium refunds in the hundreds of dollars as a direct result of the Department's efforts. The Department is pleased to be able to assist NH consumers in receiving these refunds and will continue its efforts in this undertaking. It is anticipated that affected consumers have or will receive premium refunds in excess of \$100,000.



PRODUCER LICENSING ON-LINE

The Licensing Division is pleased to announce the initial phase of our association with the NAIC – National Insurance Producer Registry for **Electronic Non-Resident Licensing**.

This service enables an individual producer or business entity to submit a single, uniform licensing application through the NIPR Gateway to apply for an insurance license in any of the participating eNRL states, including electronic payment of license fees to the selected states. The application is processed by NIPR using New Hampshire's eNRL business

rules and forwards it to the Licensing Division for acceptance, further processing, or declination.

The benefits of applying online are First, speed of licensing process turnaround time with ready confirmation if approved for a license. The actual physical license is still issued by the Department. Second, an automated consistency is gained in the execution of business processes and Line of Authority mapping to all U.S. states and territories reducing the potential for oversight. Third, there is a reduction in the manual lookup process. Letters of Certifica-

tions and PDB printouts are no longer necessary as the resident licensing and other validations are automated. Fourth, our State Rules are customized and available on the website for viewing by Industry, thus reducing the number of calls to licensing staff. Fifth, the fees are automatically calculated. NIPR collects the fees and will remit the funds to the state daily by Electronic Funds.

Please visit the Business Rules and State Specific pages at www.licenseregistry.com for state specific information.

HEALTHCARE COST INFORMATION WEBSITE NOW ONLINE

The New Hampshire Insurance Department recently added a link on its website to a new healthcare cost information website. For the first time, price information is available to healthcare consumers on the cost of healthcare services. The new website is a result of the work of an Advisory Group convened in September 2004 to assist the Department in addressing market barriers to the development of new and innovative insurance products. The Advisory Group, working with the New Hampshire Institute for Health Policy and Practice at the University of New Hampshire, developed this website.

The cost information on the website shows the average cost for certain common medical procedures and healthcare services, as well as a range of costs for that procedure or similar healthcare services. For example, the cost of a chest x-ray can range from \$18.00 to \$183.00 depending on which insurance carrier is purchasing the service from which provider. Similarly, the price of a knee arthroscopy can range generally from \$887.00 to \$4,362.00. All of the cost information displayed on the website is based on claims data information provided by Cigna, Anthem and Harvard Pilgrim which participated in this initiative and assisted the Advisory Group in making this information understandable to consumers.

Consumers with high deductible healthcare plans can use the site to better understand the costs associated with their particular type of insurance product, and to discuss the proposed costs of procedures with their providers. The Department hopes to expand this site in the future with all payer claims data including specific provider price information.

The new website was created by the Institute with the help of the Advisory Group and may be reached directly at: www.nhhealthcost.org or through the Insurance Department website at: www.nh.gov/insurance

SPEAKING OF INSURANCE !

Engagements to catch.....

May 2nd will find Commissioner Sevigny speaking to CEO's at a Health Insurance Roundtable at the Crown Plaza Hotel in Nashua sponsored by the NH High Technology Council.

May 4th to May 6th, Commissioner Sevigny will travel to Portland, Maine to attend the NAIC Northeast Zone Meeting with Commissioners and staff from various northeast states.

May 11th, members of the Department's Consumer Division will be manning a table at a Resources Festival for Seniors, Caregivers and Families at the William B. Cashin Activity Center in Manchester.

May 13th, Commissioner Sevigny will be a featured speaker at the New England Chapter of Association of Insurance Compliance Professionals Annual Education Day in Hartford, Connecticut. The Commissioner will be joined by David Withers, Property & Casualty Actuary and Kent Dover, Director of Market Conduct Examinations who will be participating in panel discussions on topics such as broker compensation, market conduct, SMART ACT and identity theft.

May 18th will find the Commissioner at the PIA Annual Meeting at the Marriott Courtyard in Concord. One of the topics that the Commissioner will address will be broker compensation.

May 24th & May 25th, the NAIC is hosting an Electronic-Regulation Program in Kansas City. Commissioner Sevigny will be the keynote speaker on May 24th, speaking on E-commerce in regulatory fields; and Kent Dover, Director of Market Conduct Examinations will address the conference on May 25th on the topic of "Using Market Analysis Company Listings".

June 11th to June 14th, Commissioner Sevigny will be attending the Summer meeting of the NAIC in Boston, Massachusetts.

Engagements you may have missed.....



The IIANH hosted a forum on small group health insurance and reforms to SB 110 on February 8th at the Marriott Courtyard at which Commissioner Sevigny and Health Policy Analyst Leslie Ludtke made a presentation.

Commissioner Sevigny spoke to the Portsmouth Chamber of Commerce on March 4th, the topic was small group health insurance reforms to SB 110.

On March 8th, the Hampton Rotary Club hosted Commissioner Sevigny to talk about small group health insurance reforms and SB 110.

Health Policy Analyst Leslie Ludtke participated in the NH/VT Chapter of the Healthcare Financial Management Association (HFMA) Annual Meeting on March 15th at the Fireside Inn in West Lebanon. The topic of the program "Quality of Care – Two States Perspectives".

The IIANH held a continuing education seminar on March 29th at the Marriott Courtyard in Concord. Commissioner Sevigny addressed the membership about the property and casualty insurance market.

On March 31st, at the invitation of the Hooksett Seniors Group, Fraud Investigator Clinton Lane made a presentation about fraud against seniors.

The New Hampshire Board of Realtors hosted Leslie Ludtke, Health Policy Analyst, on April 1st to learn about the legislative initiatives on small group health insurance SB 125 and HB 611.

Commissioner Sevigny participated in a whirlwind tour of the North Country on April 1st hosted by Executive Councilor Raymond Burton. Communities visited Claremont, Littleton, North Conway and Berlin. The Commissioner highlighted the Department's Consumer Services Division.

Kent Dover, Director Market Conduct Examinations, gave a presentation on April 1st to the Northeast Regional Conference of the Society of Insurance Licensing Administrators at the Hyatt in Boston.

On April 12th, the Manchester Chamber of Commerce invited Commissioner Sevigny to address its membership on the topic of the small group health insurance market.

2005 LEGISLATIVE PROPOSALS– STATUS REPORT

For the 2005 Legislative Session, the Department requested and obtained sponsorship for four initiatives. In the midst of all of the heated debated, the current status of those bills are as follows:

SB 72 Public Adjuster Licensing: This bill amends New Hampshire's existing public adjuster law, RSA 402-D, by enhancing licensing requirements, consumer protections and disclosures. The bill had a public hearing before the Senate Banks and Insurance Committee on January 25th and was subsequently passed by the full Senate on March 10th. The bill has been assigned to the House Executive Departments and Administration Committee and a public hearing is scheduled for April 21st.

SB 73 Market Conduct Record Retention and Production: This bill provides clear record retention and production instructions to all entities licensed by the Department for the purposes of market conduct examinations. The bill was heard by the Senate Banks and Insurance Committee on January 25th and was passed by the full Senate on February 3rd. The bill was then assigned to the House Commerce Committee and a public hearing was held on March 17th. A subcommittee work session took place on April 19th and the subcommittee voted to approve SB 73 with NHID amendments.

SB 74 Technical Changes: As always, the Department's technical bill makes a variety of changes to existing insurance laws. The bill was heard by the Senate Banks and Insurance Committee on February 1st and passed the full Senate with amendments on February 10th. The bill was assigned to the House Commerce Committee and a public hearing on the bill was held on March 17th. A subcommittee work session took place on April 19th and another work session is scheduled for April 21st.

SB 197 Captive Insurance Companies: This enabling legislation would allow for the formation and licensing of captive insurance companies in New Hampshire. A public hearing on the bill was held in Senate Banks and Insurance on February 22nd, and the bill was then sent to the full Senate with an "ought to pass" recommendation. Shortly thereafter, the Department was informed of concerns about the bill related to New Hampshire's unitary tax system and the Department in consultation with the bill's prime sponsor requested that the bill be tabled. The Senate's tabling action took place on March 10th. The Department intends to invite concerned parties to the table over the summer to work out the tax provisions.

RULEMAKING – WINTER/SPRING 2005

The New Hampshire Insurance Department currently has the following rulemaking in progress. For additional information refer to the NHID Website: www.nh.gov/insurance

Ins 1901 Minimum Standards for Accident and Health Insurance

This rule applies to all individual and group accident and sickness insurance policies and certificates delivered in this state. Although the provisions of this rule expired in 1999 and 2003, the Department has continued to apply those provisions to all filings made by licensees and does so via the statutory authority provided in provisions relating to accident and sickness insurance throughout Title XXXVII. The provisions of this NAIC model rule are consistent with those of ex-

pired Ins 1901. A public hearing on Ins 1901 is scheduled for April 26th.

Ins 1904 Group Coordination of Benefits

Although this rule expired in 1999, the Department has continued to apply its provisions via the statutory authority provided in provisions relating to group coordination of benefits throughout Title XXXVII. This rule applies to all group or blanket insurance plans and establishes a uniform order of benefit determination under which plans pay claims. The provisions of this NAIC model rule are consistent with those of expired Ins 1904. A public hearing on Ins 1904 is scheduled for April 26th.

Ins 1905 Minimum Standards for Medicare Supplement Policies

This rule implements federal provisions regulating Medicare Supplement policies and updates existing Ins 1905 in response to the federal passage of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. This rule is scheduled for final action before the Joint Legislative Committee on Administrative Rules on May 6th.

Ins 2500 Home Warranty Associations

Repealed 01/31/05; Repeal Effective 02/03/05

Ins 4000 Uniform Reporting System for Health Care Claims Data Sets

Adopted 01/31/05; Effective 02/03/05

ENFORCEMENT— PRODUCER AND COMPANY

Re: Botkin, Mary Susan

Consent Order and Agreement

Docket No. INS No. 05-006-EP

Failure to report an administrative action taken by another jurisdiction within 15 days of the final deposition.

Order and Agreement:

March 11, 2005

Action and Penalty: \$100.00

Re: Gerstenblatt, David P.

Consent Order and Agreement

Docket No. INS No. 04-052-EP

Misappropriation of premiums and for demonstrating lack of fitness or trustworthiness.

Order and Agreement:

January 28, 2005

Action: License issued on a probationary status for a period of 1,095 days.

Re: Lejfer, Jeffrey S.

Consent Order and Agreement

Docket No. INS NO. 04-048-EP

Failure to report an administrative action taken by another jurisdiction within 15 days of the final disposition.

Order and Agreement:

January 5, 2005

Action and Penalty: \$250.00

Re: Maheu, Gary A.

Consent Order and Agreement

Docket No. INS No. 05-011-EP

Failure to report criminal record history on producer license application.

Order and Agreement:

March 17, 2005

Action: License issued on a probationary status for a period of 365 days

Re: Mosley, Melvina L.

Consent Order and Agreement

Docket No. INS No. 04-053-EP

Failure to report an administrative action taken by another jurisdiction within 15 days of the final disposition.

Order and Agreement: January 26, 2005

Action and Penalty: \$250.00

Re: Rowley, Francis M.

Consent Order and Agreement

Docket No. INS No. 04-054-EP

Producer license issued on probationary period for failure to disclose criminal record/ history on application.

Order and Agreement:

January 25, 2005

Length of Order: 365 days

Re: Wagner, Charles W.

Wagner Financial Services

Consent Order and Agreement

Docket No. INS No. 04-043-EP

Firm not licensed, unauthorized insurance business.

February 25, 2005

Action and Penalty: \$2,500.00

Re: Employee Family Protection, Inc.

Consent Order and Agreement

Docket No. INS No. 05-004-EP

Failure to report an administrative action taken by another jurisdiction within 15 days of the final disposition.

Order and Agreement:

March 15, 2005

Action and Penalty: \$1,500.00



2005 COMPANY INFORMATION

The following is a compendium of company changes.

COMPANY NAME CHANGES:

<u>OLD NAME</u>	<u>NEW NAME</u>	<u>EFFECTIVE DATE</u>
Associates Insurance Co.	Commercial Guaranty Casualty Ins. Co.	09/01/04
Federal Kemper Life Assurance Co.	Chase Insurance Life and Annuity Company	11/01/04
Investor Partner Life Ins. Co.	Manulife Insurance Company	08/10/04
Zurich Life Ins. Co. of America	Chase Insurance Life Company	11/01/04

NEWLY LICENSED COMPANIES:

<u>COMPANY NAME</u>	<u>TYPE OF LICENSE</u>	<u>EFFECTIVE DATE</u>
CDC IXIS Financial Guaranty N. America, Inc	Property & Casualty	01/24/05
Patriot Health Insurance Company, Inc.	Health (paragraph IV)	03/01/05
Republic Mortgage Insurance Company of N.C.	Property & Casualty	01/20/05

CANCELLED LICENSES:

<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
Bankers National Life Insurance Company	10/01/04
Medical Life Insurance Company	12/31/04
Metropolitan Insurance and Annuity Company	09/27/04

AMENDED LICENSES:

<u>COMPANY NAME</u>	<u>LINE OF BUSINESS ADDED</u>	<u>EFFECTIVE DATE</u>
Clearwater Insurance Company	Limited to Reinsurance	02/14/05
	Restriction Removed	

COMPANY MERGERS:

<u>OLD NAME</u>	<u>WITH AND INTO</u>	<u>EFFECTIVE DATE</u>
Bankers National Life Insurance Co.	Washington National Insurance Company	10/01/04
Medical Life Insurance Company	Fort Dearborn Life Insurance Company	12/31/04
Metropolitan Ins. and Annuity Co.	Metropolitan Tower Life Insurance Co.	09/27/04



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